

## Message Text

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FOLLOWING REPEAT SECSTATE 186404 ACTION

CAIRO 23 AUGUST 1974. QUOTE:

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E.O. 11652: N/A

TAGS: EAID, ECON, EG

SUBJECT: RESULTS OF US-EGYPTIAN ECONOMIC AND FINANCIAL  
WORKING GROUP MEETINGS DURING FAHMY VISIT

REFERENCE: CAIRO 6391

SUMMARY: MAJOR RESULTS OF WORKING GROUP PLENARY SESSIONS,  
MEETINGS OF SUBCOMMITTEES ON TRADE AND AGRICULTURE, AND IN-  
FORMAL MEETINGS BETWEEN SPECIALISTS OF TWO GOVERNMENTS WERE  
RECORDED IN AUGUST 19 COMMUNIQUE. (TEXT IN NEXT WIRELESS  
FILE). EGYPTIANS APPEARED WELL PLEASED AT RESULTS OF WORK-  
ING GROUP SESSIONS, HOPEFULLY RECOGNIZING TIME AND OTHER  
LIMITATIONS ON USG ABILITY TO SOLVE EGYPTIAN ECONOMIC PRO-  
BLEMS WITH VAST ARRAY OF SPECIFIC ACTIONS AND PROGRAMS.  
SEVERAL SPECIFIC UNDERTAKINGS BY DEPARTMENT OF COMMERCE IN  
TRADE SUBCOMMITTEE WERE WELL RECEIVED BY EGYPTIANS WHO  
EMPHASIZED IMPORTANCE OF CONTACTS WITH US BUSINESSMEN.  
PLANS FOR JOINT CHAMBER COUNCIL ARE TO BE DRAWN UP FOR DIS-  
CUSSION AT OCTOBER 7 WORKING GROUP MEETING. EGYPTIANS ALSO  
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RAISED POSSIBILITY OF QUOTE TRIPARTITE UNQUOTE INVESTMENT,

BRINGING THIRD COUNTRY CAPITAL (SAUDI, KUWAITI, ETC.) INTO US-EGYPTIAN JOINT VENTURES. MEETINGS ALSO RESULTED IN THOROUGH AIRING OF KEY PARAMETERS OF AID COMMODITY AND PROJECT FINANCING AND OF PL-480 PROGRAM IN FACE OF NEGATIVE AUGUST 1 CROP REPORTS. IT WAS AGREED THAT THE NEXT MEETING OF ECONOMIC WORKING GROUP AND SUBCOMMITTEES WOULD BE HELD

IN WASHINGTON THE WEEK OF OCTOBER 7, FOLLOWED BY SECOND ROUND OF TALKS IN CAIRO ABOUT A MONTH LATER, PRIOR TO POSSIBLE SADAT VISIT TO THE US. END SUMMARY

1. IN WORKING GROUP DISCUSSIONS WE AGREED TO ASSIST IN FORMATION OF JOINT BUSINESS CHAMBER. WHILE MEMBERSHIP WILL BE PRIVATE ON US SIDE, EGYPTIAN MEMBERSHIP WILL HAVE TO INCLUDE HEAVY REPRESENTATION FROM STATE-OWNED ENTERPRISES AND GENERAL ORGANIZATION. COMMERCE WILL TAKE INITIATIVE TO GET DISCUSSIONS STARTED BETWEEN A US BUSINESS LEADER AND AN EGYPTIAN COUNTERPART ON ORGANIZING THE COUNCIL. AT WIND-UP WORKING GROUP SESSION, PARSKY SAID A FULL PROPOSAL FOR THE COUNCIL WOULD BE PREPARED FOR DISCUSSION AT OCTOBER 7 WORKING GROUP MEETING. AFTER CHAIRMAN SELECTED, AN EXECUTIVE COMMITTEE MIGHT THEN BE FORMED AND FIRST FORMAL SESSION COULD BE HELD AS EARLY AS NOVEMBER. (FYI: THIS WOULD BE PARALLEL TO PLANS FOR LAUNCHING US-ISRAEL JOINT BUSINESS COUNCIL. END FYI)

2. COMMERCE ALSO OFFERED ITS SERVICES TO MAKE THE US BUSINESS COMMUNITY AWARE OF TRADE, JOINT VENTURE, LICENSING, CONTRACTING AND OTHER OPPORTUNITIES IN EGYPT. SEVERAL PREFEASIBILITY STUDIES WERE MADE AVAILABLE BY THE EGYPTIAN DELEGATION; SOME WERE GIVEN DIRECTLY TO US BUSINESSMEN AT INFORMAL SESSION AUGUST 16 AT EGYPTIAN EMBASSY. USE OF US EXPERTISE WAS EXPLORED IN VARIETY OF FIELDS INCLUDING ESTABLISHMENT OF FOREIGN TRADE ZONES, INDUSTRIAL STANDARDS, STATISTICAL SERVICES, MARKETING TECHNIQUES, COMMERCIAL FISHERIES AND MEETING OCEAN POLLUTION PROBLEMS.

3. IN RESPONSE TO EGYPT'S REQUEST FOR ASSURED AND ADEQUATE SCRAP IRON QUOTAS, US SIDE STATED THAT SUCH COMMIT-LIMITED OFFICIAL USE

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MENTS CANNOT BE MADE IN ADVANCE BUT NOTED THAT GREATER KNOWLEDGE OF EGYPT'S NEEDS AS OUTLINED IN SUBCOMMITTEE DISCUSSIONS WAS HELPFUL IN ASSESSING COMPETING DEMANDS IN FACE OF TIGHT SUPPLY SITUATIONS (20,000 TONS ALLOTTED FOR THIS QUARTER.)

4. EGYPTIANS BROUGHT UP POSSIBILITY OF QUOTE TRIPARTITE UNQUOTE INVESTMENT TO COMBINE US-EGYPTIAN JOINT VENTURES

WITH CAPITAL FROM THIRD COUNTRIES, MOST PROBABLY FROM ARAB OIL-PRODUCING COUNTRIES, AS MEANS OF INCREASING EGYPTIAN USE OF US TECHNOLOGY OVER WHAT WOULD BE THE CASE IF ALL CAPITAL HAD TO COME FROM US AND EGYPTIAN INVESTORS. HASSAN OF GENERAL ORGANIZATION OF EGYPTIAN INDUSTRIES OFFERED TO INTRODUCE INTERESTED AMERICAN INVESTORS TO SOURCES OF SUCH CAPITAL.

5. IN AGRICULTURE SUBCOMMITTEE, EGYPTIAN UNDER SECRETARY OF AGRICULTURE SALAH TEWFIK INTRODUCED FOR REVIEW BY USG SEVEN HIGH PRIORITY PROJECTS FOR TECHNICAL ASSISTANCE FROM US. HIGHEST PRIORITY GIVEN TO LAND IMPROVEMENT AND SOIL CONSERVATION (INCLUDING PROJECTS ON HYDROLOGY AND SOIL AND PLANT TESTING), AGRICULTURAL MECHANIZATION AND AGRO-INDUSTRIES. US AGRICULTURAL SCIENTISTS WILL REVIEW AND COMMENT UPON THESE PROPOSALS FROM A TECHNICAL STANDPOINT.

6. AGRICULTURE SUBCOMMITTEE AGREED THAT ITS FIRST PRIORITY WOULD BE TO CONDUCT A SYSTEMATIC APPRAISAL OF THE POTENTIAL FOR RURAL DEVELOPMENT WHICH WOULD PROVIDE FRAMEWORK FOR ESTABLISHING SPECIFIC PROPOSALS AND ASSIGNING PRIORITIES FOR THEIR IMPLEMENTATION. TERMS OF REFERENCE FOR THIS APPRAISAL, WHICH WOULD BE A SHORT-TERM, BROAD SURVEY OF THE AGRICULTURAL SECTOR, INCLUDING SYSTEMATIC ANALYSIS OF STATISTICAL AND OTHER INFORMATION CURRENTLY AVAILABLE, IS TO BE PREPARED FOR DISCUSSION AT THE NEXT SUBCOMMITTEE MEETING.

7. AGRICULTURAL RESEARCH UNDER PL-480 SPECIAL FOREIGN CURRENCY RESEARCH PROGRAM WAS DISCUSSED, INCLUDING POSSIBILITY OF EXTENDING FY 1975 PROGRAM BEYOND 1.8 MILLION DOLLAR EQUIVALENT NOW PROPOSED. USDA WILL SUGGEST SOME SUBSTITUTIONS IN FY 1975 PROGRAM WHICH INCLUDES 18 LIMITED OFFICIAL USE

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NEW PROJECTS.

8. ADMINISTRATOR OF USDA ECONOMIC RESEARCH SERVICE QUENTIN WEST WILL MEET WITH DR. TEWFIK IN CAIRO IN MID-SEPTEMBER TO REVIEW AGRICULTURE SUBCOMMITTEE PROPOSALS FOR OCTOBER 7 MEETING OF ECONOMIC AND FINANCIAL WORKING GROUP.

9. DISCUSSION OF PL-480 PROGRAM COVERED EGYPTIAN REQUIREMENTS AND CURRENT US AVAILABILITIES (DETAILS IN SEPTEL.)

10. DISCUSSION OF AID PROGRAM CONCERNED ALLOCATION OF 250 MILLION DOLLARS SPECIAL ASSISTANCE BEING CONSIDERED BY CONGRESS. DISCUSSION CENTERED ON COMMODITY AND PROJECT LISTS SUBMITTED BY EGYPTIANS AND IT WAS AGREED THAT FURTHER EXPLORATION AND STUDY OF THE PROPOSALS WOULD BE CONDUCTED

BY AIX WITH THE PARTICULAR EGYPTIAN MINISTRIES INVOLVED.  
PROPOSED COURSES OF ACTION WILL BE SENT BY SEPTTEL.

11. WHILE NO FORMAL MEETING OF SUBCOMMITTEE ON INVESTMENT WAS HELD, SUBJECT WAS COVERED IN PLENARY SESSION OF WORKING GROUP. NEW EGYPTIAN INVESTMENT LAW WAS DISCUSSED IN GENERAL TERMS. SCHEDULING PROBLEMS ON EGYPTIAN SIDE PREVENTED MORE DETAILED DISCUSSION. HABIB HAD TWO LENGTHY DISCUSSIONS WITH TAX POLICY OFFICIALS ON DRAFT TAX CONVEN-

TION PREVIOUSLY POUCHED TO EMBASSY. NO CONSENSUS WAS REACHED ON TAX SPARING PROBLEMS. IN ADDITION, HABIB HAD TALKS WITH IRS OFFICIALS ON POSSIBLE TECHNICAL ASSISTANCE IN AREA OF TAX ADMINISTRATION AND WAS PROVIDED SERIES OF RELEVANT DOCUMENTS.

12. PROPOSED PROJECT DEVELOPMENT INSTITUTE ALSO DISCUSSED IN WORKING GROUP PLENARY. EGYPTIANS DID NOT WANT TO SET UP SEPARATE ENTITY FOR THIS PURPOSE. INSTEAD WE AGREED THAT EXPERTS WOULD BE SENT AS SOON AS POSSIBLE TO REVIEW CAPABILITIES OF NATIONAL INSTITUTE OF MANAGEMENT DEVELOPMENT AND ADVISE ON MEANS TO ENABLE THIS INSTITUTE EFFECTIVELY TO EXPAND ITS FUNCTIONS INTO PROJECT DEVELOPMENT FIELD. PREFERENCE OF US PRIVATE INVESTORS TO DO THEIR OWN DETAILED FEASIBILITY STUDIES WAS NOTED IN DISCUSSION. INSTITUTE COULD HELP BY PREPARING BROAD SECTORAL AND LIMITED OFFICIAL USE

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ECONOMIC STUDIES AS A WAY TO DRAW ATTENTION OF POTENTIAL INVESTORS TO OPPORTUNITIES IN EGYPT. UNANSWERED QUESTION IS WHETHER THERE NOW EXISTS SYSTEMATIC AND EFFECTIVE MEANS OF MARRYING SPECIFIC PROJECTS NEEDS OF EGYPT TO FINANCIAL RESOURCES OF MAJOR ARAB OIL PRODUCERS.

13. AT FINAL WORKING GROUP SESSION, PARSKY NOTED WITH PARTICULAR INTEREST EGYPTIAN PROPOSAL FOR TRIPARTITE INVESTMENT, OBSERVING THAT IT OFFERED A WAY TO BUILD ON PRESENT EGYPTIAN CAPABILITIES AND THAT THE ADDITION OF US TECHNICAL SKILL COULD, IN TURN, ATTRACT CAPITAL FROM COUNTRIES SUCH AS THE ARAB OIL-PRODUCING STATES. HE SAID THIS PROPOSAL WOULD BE EXPLORED FURTHER PRIOR TO OCTOBER WORKING GROUP MEETING.

14. FOLLOW-UP ACTIONS AND OUR VIEWS THEREON FOLLOW SEPTELS.

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